# MHWMC

## 18TH ANNUAL REPORT 2004-2005

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## Letter of Transmittal

The Honorable John Harvard
Lieutenant Governor of the Province of Manitoba

May it please your Honor:

I have the honor of presenting to you the Annual Report for the Manitoba Hazardous Waste Management Corporation for the year ended March 31, 2005.

Honorable Stan Struthers
Minister of Conservation responsible for the Manitoba Hazardous Waste Corporation

## 2004-2005 Highlights

- MEC has record revenues and volumes
- Miller lands pesticide residue management contract
- Centre re-certified for meeting top international standards
- Students endorse MEC mandate
- Lindane project drawing to a close
- Bright future predicted for Miller operations

## ENVIRONMENTAL POLICY STATEMENT

While the Manitoba Hazardous Waste Management Corporation is no longer directly operating a waste management business, it remains committed to its original goals.

Its principal objective is to develop a Manitoba hazardous waste management system that will both preserve and enhance the quality of the environment in the province.

This is a fundamental element of the provincial government's broader policy of fostering universal environmental stewarship and sustainable economic development in Manitoba.

In carrying out its mandate, the corporation uses these guidelines as the basis for decision-making.

1. Recycling, re-use and recovery at source must be promoted, encouraged and carried out to minimize waste generation and maximize resource conservation.

2. All projects and activities related to hazardous waste management and disposal must be consistent with the protection of public health and environmental quality.

3. Public approval of the disposal system and its components must be earned through open and responsive communication and through public participation in all aspects of system development and operation.

4. Economic development will be encouraged and generated by a cost-effective waste management system that enhances environment-friendly enterprises.

5. Contemporary environmental values and policies will be fostered and promoted through public education and research, as well as by example.

6. The corporation will assume in perpetuity the environmental stewardship for all wastes and residues placed in its custody.

## OVERVIEW

This was the ninth year that Miller Environmental Corporation has operated the Manitoba Environmental Centre which was developed in the Letellier-St. Jean Baptiste region by the Manitoba Hazardous Waste Management Corp. (MHWMC).

Miller Environmental was established in 1996 as a 50-50, public-private partnership between MHWMC, a provincial crown corporation, and Miller Waste Systems, a division of Miller Paving Ltd. of Markham, Ontario. Under the terms of the partnership, Miller Environmental is responsible for the operation of the environmental centre and its hazardous waste disposal business. The MHWMC owns the site and, as the landlord, is entitled to rent as its share of profits.

Policy direction for Miller Environmental is shared by Miller Waste Systems and the Manitoba Government. Miller appoints five directors to the corporation's nine-person board, while the other four are provincial government nominees. As a stipulation of the partnership, two of the province's directors must be residents of the RM of Montcalm where the environmental centre is located on Highway 14, a mile west of the intersection with Highway 75.

## OUTLOOK

Officials of Miller Environmental Corporation are confident 2005 will equal or better the record revenues and volumes in the year ended Feb. 28, 2004.

The current year has already started off in promising fashion with the acquisition of another major customer. CropLife, an Ontario-based association of pesticide manufacturers, has retained Miller on a three-year contract to collect, treat and dispose of residues left in the plastic pesticide containers of the association's manufacturer members.

The container management contract calls for Miller to clean, wash and shred the containers with new mobile equipment that required a significant capital investment. Once shredding has been completed, the plastic strips are recycled and re-sold to makers of such products as plastic pipe lining, fence posts and railway ties.

The three-year agreement benefits not only Miller and the MEC plant, but also a variety of industries because there is a big market for recycled plastic.

Generally, Miller officials are looking forward to a future of stable, steady and well-defined growth for the R.M. of Montcalm plant. The one uncertainty is rising fuel costs, now the biggest expense for Miller since it runs trucks throughout its region. However, the company is placing emphasis on cost management, while aggressively seeking more business through its Winnipeg sales office and agents across the prairies.

Coming off its best year to date, Miller's strategy is to efficiently serve and expand business with existing clients. It will also seek opportunities to treat more types of hazardous waste, re-investing revenues if necessary to make this possible.

With morale high and a top ranking for meeting ISO international standards, the company is optimistic about another good year of both client and revenue growth.

## THE MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION BOARD

RICHARD A. GALLANT, *Chairman and Chief Executive Officer*
Mr. Gallant has been chair of the corporation since 1995 and a director since 1992. An active community worker in the RM of Montcalm, he is a former member of the Letellier school advisory council, a member of the Letellier volunteer fire department, the local Knights of Columbus and a church trustee.
In the business world, he is co-owner of Gallant's Family Foods, Letellier's grocery store for more than 80 years, as well as Del's Speciality Meats.

ROGER BARNABE, *Manager, Finance and Administration*
Mr. Barnabe is an accountant and entrepreneur. In addition to running several corporations, he sits on several rural development boards in Canada and the United States. He is president of the Montcalm Community Development Board and Access Montcalm, a high speed Internet initiative in his rural region. Mr. Barnabe is also vice-chair of both Northern Great Plains Inc. and the Red River Trade Council, two Canada-U.S. development think tanks.

## DIRECTORS

NANCY BETTCHER

Ms. Bettcher is a director of both the Manitoba Hazardous Waste Management Corp. and Miller Environmental Corp. She is director of U.S. Marketing for Pollard Banknote Ltd. in Winnipeg. She graduated in commerce from the University of Manitoba, then added a Masters in Business Administration. She is a member of the Young Associates, a support group for the U of M's business school.

DR. ART CHOW

Dr. Chow is a professor of chemistry, analyst and researcher at the University of Manitoba. A runner and photographer, he is also on the executive of the Manitoba Marathon Foundation.

MURRAY CRADDOCK

Mr. Craddock is a Winnipeg staff representative for the Canadian Union of Public Employees (CUPE). With more than two decades of experience in labour relations, he handles contract negotiations and grievances for workers in the social care, daycare and health care industries. Previously, he was on the boards of Blue Cross and the Society for Manitobans with Disabilities.

ALEX FORREST

Mr. Forrest, a member of the Winnipeg Fire Paramedic Service for the past 15 years, is president of the United Fire Fighters Union of Winnipeg. He is co-chair of the City of Winnipeg Safety Committee, an executive member of the Manitoba Federation of Labour and a district representative of the International Association of Fire Fighters. Trained to level one in hazardous materials handling, he works with fire fighters across North America on emergency measures services, including hazardous material spill responses. Also licenced to practice law in Manitoba, he has arts and law degrees from the University of Manitoba.

ARNOLD GRAMBO

Mr. Grambo taught in the Brandon School Division for 32 years, retiring in 1996. After being raised on his family's farm in Birch Hills, Sask., he attended Brandon University and became deeply involved in community affairs in his adopted city. He served on Brandon City Council for 12 years, as well as being president of the Keystone Centre Board, president of the Brandon Economic Development Board and co-chair of the Brandon Solid Waste Management Committee. In retirement, he has concentrated on volunteer work, principally as president of the Hudson Bay Route Association and as a founding member and chair of Habitat for Humanity Brandon.

DR. BILL PATON

Dr. Paton is a professor of biology and botany at the University of Brandon. He is active in the Manitoba Association of Plant Biologists, a director of the Canadian Society For Environmental Biology and a former board member of Brandon University where he has taught since 1974. As well, he helped develop composting and recycling initiatives through his membership on the City of Brandon Solid Waste Management Committee.

GILLES SABOURIN

Mr. Sabourin is a life-long farmer of grains, oilseeds and special crops. He is a director of La Caisse Populaire and was a partner in a car dealership for 10 years. An RM of Montcalm municipal councillor, he has served on the environment sub-committee of Manitoba Pool Elevators and the Montcalm Community Liaison Committee monitoring the Manitoba Environment Centre. In addition, he is a member of the Knights of Columbus, Montcalm Parks and Recreation and his church.

## MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION (MHWMC)

### ARNOLD GRAMBO JOINS BOARD

Welcome to our newest board member - Arnold Grambo of Brandon. A retired high school teacher, Arnold has since served on Brandon City Council, as well as co-chaired the Brandon Solid Waste Management Committee. These are just a few of his many activities, and we look forward to working with Arnold.

### CONSERVATION MINISTER TOURS CENTRE WITH BOARD

A major highlight of the year took place April 7, 2005, when Manitoba Conservation Minister Stan Struthers toured the Miller Environmental Centre (MEC) and later attended an MHWMC board meeting in the RM of Montcalm. This was the first time that a provincial minister has visited our expanded operations.

The minister was accompanied by MHWMC board members on the tour conducted by MEC Operations Manager Marcel Bissonnette and Miller Environmental General Manager Ross Edmunds. Roger Vermette, reeve of the RM of Montcalm, welcomed the Hon. Mr. Struthers prior to the start of the board meeting.

Minister Struthers was very supportive of the role played by the MHWMC board and our community in developing and maintaining a progressive partnership between the Province of Manitoba and the Miller company. I was particularly pleased that the minister agreed to add another MHWMC board position for the community. This will result in more community input at the board level, as well as making it easier to achieve continuity of succession in the chairman's position. The board and the minister were unanimous that continuing the tradition of appointing a local chairman is in the best interests of both the board and the community.

### MILLER ENVIRONMENTAL MONITORING REPORT

Dr. Art Chow has once again reviewed the latest MEC environmental monitoring report, providing his perspectives on the data to the MHWMC board and the Community Liaison Committee. Through this annual assessment, the board and the community receive a professional, independent review of data generated by monitoring equipment at the MEC. On behalf of the Board and the Community I would like to thank Dr. Chow for continuing to provide this critical assessment of the information.

### ST. JEAN HIGH SCHOOL REPORT

This was the second year that College St. Jean Baptiste assigned several senior science students to study and write a report on the MEC's operations. Once again, we have included the student report in this document to encourage better understanding of the MEC's function and benefits not only to the community, but also to the entire province.

### LINDANE

Last fall, public concerns were raised about the manner in which a compost of contaminated Lindane-coated canola seed was spread on farm land in the RM of Montcalm. The concerns - which were quickly refuted by scientific evidence - stemmed from the last phase of a multi-year program to dispose of this treated mixture through land farming. The program was undertaken by Mid-Canada Waste in accordance with Miller Environmental's provincial licence requiring the company to treat and safely dispose of this regulated waste.

The MHWMC board - as well as the Community Liaison Committee - were involved from the beginning in details of the remediation plan for the Lindane material. Early in the project, the board commissioned Dr. Bill Paton to review the plan and report to us on its impact and progress.

Dr. Paton subsequently wrote a document so that we could offer balanced comment to the public, especially the residents of Montcalm. Besides being made available to the media, we provided copies to our reeve and council members so that they could rebut and answer questions on areas of concern.

We continuously worked with the Conservation Dept. and other stakeholders in reviewing water samples taken from sources entering rivers near the land farming. The results of these tests brought to an end any speculation that water was being contaminated due to this method for final disposition of the treated canola seed.

Dr. Paton's analysis is included in this annual report. I would like to thank him for the many hours he has spent on this project - in an effort to ensure accurate technical interpretation for the board, the community and the province.

FINANCIAL RESULTS

On the business side of things, we are extremely pleased about the fiscal progress made at the MEC in the year ending in February, 2005. Revenues were at an all-time high, which means significant rent is owing to the province.

However, an accounts receivable issue continues to plague the partnership between MHWMC and Miller Environmental. We are still hoping for a meeting between the two partners to resolve this ongoing issue.

In closing, I would like to thank all the MHWMC directors and Roger Barnabe, our manager of finance, for their continuing contributions during the past year. I would also like to recognize the interest and commitment from Minister Struthers and his Assistant Deputy Minister Dave Wotton.

It has truly been a positive year for the corporation due to the efforts expended by all these individuals. We look forward to the challenges and opportunities in the years ahead.

Richard A. Gallant,
Chairman and Chief Executive Officer

## MESSAGE FROM THE COMMUNITY LIAISON COMMITTEE

As the facility grows and flourishes, the prescence of the Miller Environmental Centre (MEC) continues to provide challenges and opportunities to the neighbouring community.

The Community Liaison Committee (CLC) remains vigilant in monitoring the MEC's activities by meeting regularly with senior management and touring the site on an annual basis. We also receive a steady flow of correspondence from the project stakeholders, including reports of any incidents occuring on site.

When we meet with officials of Miller Environmental Corp., we review these reports and discuss what has taken place at the plant and site. We must compliment Miller for being very forthcoming with information about its activities.

We have also received a copy of the annual site monitoring report. To interpret the report and flag any issues arising from the document, the committee relies primarily on Manitoba Hazardous Waste Management Corp. (MHWMC) board members with appropriate technical backgrounds.

With regards to the MEC's canola composting project and subsequent land farming activities, the CLC is relieved the land spreading segment has concluded in a project now entering its final phases.

I must note, however, that an area resident expressed serious concerns about the spreading of the remaining composted seed in the fall of 2004. In December of that year, I met with the individual in question and listened to his concerns at a meeting also attended by Manitoba Conservation Compliance Officer Glenn Ritchie and Miller General Manager Ross Edmunds.

The individual suggested that the land used for composting should be taken out of production for five years, due to his perception the soil might be contaminated following the land farming. His concerns were forwarded via Mr. Ritchie to the Conservation Dept. where a response was to be drafted and sent to both the CLC and the concerned citizen. At this point in time, we are awaiting the response.

In a secondary issue stemming from this project, there were media reports focusing on the land spreading of the treated seed following the composting process. I must point out that the grievances did not emanate from members within the community but rather from outside sources.

The CLC does not believe in resolving issues through the media. Our practice has always been to resolve concerns or issues through direct dialogue with the involved parties.

As a result, a special meeting was held in February where the Hon. Stan Struthers, Minister of Conservation, met with representatives of Miller, the MHWMC and the CLC. Discussions revolved around the need for stringent monitoring of the land-spread waste material and site run-off, as well as a press release to counter inaccurate scientific information in circulation.

Overall, the CLC has had a few key areas of concern about the evolution of the canola composting project. We were disappointed with the project's slow progress. What was presented to the community as a small pilot project extended into a five-year saga.

There were poor controls in place for the quantity of material allowed on site and in relation to the terms of the approved licence. As well, the linking of the licence to the general Miller licence did not permit proper enforcement by Manitoba Conservation.

We believe composting should not have been regarded as the only option to the failed washing process. Transporting the waste to an approved hazardous waste landfill should have been looked at as a means of disposal. This would have eliminated many local concerns raised over the last four years.

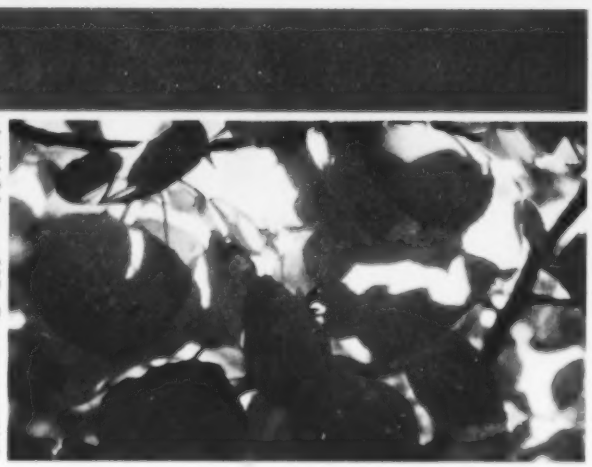
The community has been extremely patient with the process and understands the science behind the canola composting project. However, we will be more cautious in future about endorsing new proposals for the site - particularly where potential perceptions may be a cause for concern.

A final issue worthy of note is the lack of progress on the Land Value Protection Program. Currently, we are at an impasse with Miller on the funding of this project. In the latest round of negotiation, the company was at odds with the CLC on the development costs associated with the final implementation of the program.

We have given Miller our interpretation of the community-company agreement as to who is responsible for this funding. We are awaiting a response from Miller officials who have forwarded our views to their legal department at the Markham, Ont., head office.

In conclusion, the CLC continues to fulfill its obligations to safeguard the community while simultaneously maintaining a good working relationship with all parties involved at MEC. We look forward to positive developments in a continuing partnership in the years ahead.

Gaetan Fontaine, Chairman,
Montcalm Community Liaison Committee



## OPERATIONS

Although operating in a highly competitive market, the Miller Environmental Centre (MEC) increased both revenues and volumes in the latest fiscal year ending Feb. 28, 2005.

Miller Environmental Corporation, operator of the centre, reports that revenues rose by 20 per cent while volumes of hazardous waste handled by the centre were 14 per cent higher compared to a year earlier.

Miller officials say a variety of factors contributed to the gains in the best year in MEC history. For instance, more work was obtained from waste disposal brokers in provinces such as Saskatchewan and Alberta. As well, the centre continued to dispose of good volumes of outdated pharmaceuticals, the direct result of an expanding Manitoba bio-technology industry.

Miller currently has more than 300 customers in Manitoba, Saskatchewan, Alberta and Northwestern Ontario. The company has 29 employees, including 18 at the treatment plant, and serves a wide range of manufacturing, repair and other service companies that must dispose of hazardous waste residues.

In the residential sector, Miller has received a one-year contract extension to collect and dispose of household hazardous wastes in larger regional centres including Brandon, Selkirk, Thompson and The Pas. The contract, which Miller has held since 1999, was supposed to expire in April, 2005. However, it was extended for 12 months while the provincial government works out the details of a plan to transfer responsibility for household waste disposal to individual municipalities.

Change is coming because the province estimates that about 80 per cent of household hazardous waste is going into municipal landfills. The hold-up in shifting the onus to municipalities has been the lack of a financial plan to accomplish the change without tax increases or onerous levies on householders. But when the transfer is made, Miller plans to be a bidder on most of the municipal contracts.

The company continues to respond to emergency spills, but it was just an average year for this type of business. The latest fiscal year also marked the end of the Lindane project, as all the contaminated canola seed is now off the MEC plant site.

Overall, Miller operated in a tight market, compensating for heavy competition and bolstering the balance sheet by controlling costs and aggressively adding new customers.

As a bonus, Miller was re-certified for a three-year period by the International Standards Organization (ISO) of Geneva, Switzerland. This is the second time the MEC plant has met the high standards demanded by ISO in all aspects of company operations. A valuable marketing tool, the ISO designation informs customers that they are dealing with a highly-rated company.

Morale was high at the plant, partly because of the completion of a 2,160 square-foot addition that provides employees with a lunch room and a changing room with showers and washroom facilities. More administrative space is another part of the larger and more efficient layout.

Miller also continued to enjoy a harmonious and stable relationship with both the Manitoba Hazardous Waste Management Corp. and the Montcalm Community Liaison Committee. All three parties are working together to effectively dispose of hazardous wastes and maintain the quality of the environment in Manitoba.

## STUDENT REPORT: MILLER ENVIRONMENTAL - HELPING OUR SOCIETY

By Erik Klassen, Yan Lafond, Julien Bouchard
(science students at Ecole Regionale Saint Jean-Baptiste)

We visited the Manitoba Environmental Centre (MEC) Wednesday, April 20, to discover and record what exactly goes on in a hazardous waste disposal plant.

We wanted to learn about the operation since we live close to the plant - yet do not know much about it.

We were taken on a tour by Operations Manager Marcel Bissonnette who gave us an overview of the functions and responsibilities of the Miller Environmental company. What we learned was that plants such as MEC provide a much-needed service to our society by processing and disposing of potentially hazardous waste.

With Mr. Bissonnette's guidance, we decided to concentrate on a couple of key areas, after quickly realizing that we could never cover everything at the plant in a one-day tour. On entering the plant and during the tour, we were required to wear mandatory protective eye and headwear.

We were told that the MEC manages different types of hazardous waste such as acids, alkalis, solvents, oils, paints and hydrocarbon contaminated soils that have proved dangerous to the environment. Marcel explained to us that all chemicals have different atomic structures, and that many inorganic chemicals received by the plant can be neutralized by mixing them and rendering them harmless.

Once neutralized, the inorganic chemicals are further treated to the point where they are sludges and waste water in tanks. The sludges are treated to eliminate any leachable metals and the water is treated and re-used in some plant processes.

"What would happen if something were to go wrong?" asked Julien Bouchard.

Marcel told us that Miller employees are trained in spill response, enabling them to handle many types of problems. Miller also has a 24-hour emergency response system where a member of the plant's emergency response team is always on call in the event of an accidental release of dangerous material. The response team rotates the on-call person every seven days and each member of the team is on duty every eighth week.

The staff is trained as well in the use of equipment to handle most situations that may occur. The MEC buildings have dikes incorporated into their foundations so that spills would be contained within the buildings. In the case of fire, the transfer station and processing buildings are equipped with high expansion foam suppression systems.

One reason for locating the plant in the RM of Montcalm was the thick yellow clay layer found just below the top soil. The clay is very impermeable and lessens the risk of a spill getting into the ground water system.

Marcel informed us that some chemicals received by the plant cannot be safely managed at the MEC. If the plant lacks the proper equipment to treat them, they are sent to other companies that specialize in the destruction of hazardous waste.

Cont'd...

Only part of the MEC complex is a treatment and processing plant. It also has an administration section, housing accountants and management staff.

Outlining Miller's history in Manitoba, Marcel said the MEC plant was built by the company in 1992. Before that, much of the industrial waste generated in Manitoba was sent to disposal facilities outside the province.

Most household wastes, meanwhile, were probably ending up in our local landfills. With the building of the MEC plant, there is now an alternative to the landfills, although only an estimated 20 per cent of Manitoba household waste is currently being properly managed.

Marcel showed us how the plant handles regulated oil-based and non-regulated, water-based household paints. With oil-based paints, there was a danger prior to the mid-1970s because manufacturers added Polychlorinated Biphenyls (PCBs) to make the paint spread evenly and last longer. PCBs are known to be cancer-causing, as they release dioxins into the atmosphere when they are burned. Although they have not been used by paint manufacturers for about 30 years, there are still old paint cans containing PCBs being turned in

To avoid PCBs passing into the environment, Miller takes samples of all its paint waste, sending it in bulk for lab testing. If PCBs are found to be present, and the concentration is higher than 50 parts per million (ppm), then that drum of contaminated paint has to be sent to another facility for proper incineration. Paint without PCBs is blended in the plant with organic fuels before being recycled as an alternate fuel for cement kilns.

When we first talked about the tour, most of us were thinking about toxic, extremely dangerous waste that could "create mutations" by escaping into the environments. What we learned is that while the plant does treat this type of material, much of its work is with everyday waste such as paint, drain cleaner and other household products.

We were shocked by the statistic that only 20 per cent of household waste is being treated in Manitoba. Education and companies like Miller will help to ensure that hazardous waste is being managed in a responsible manner in our province.

Are we as a society ready to protect our environment by making the necessary investment to properly ensure the correct disposal of these products? Some municipalities have "household hazardous waste days" where people can dispose of their waste at no charge. This really makes an impact on our environment, but in other areas - St. Jean, for example - there are no special days for waste disposal. We either get rid of our waste at the dump or sometimes have to pay to dispose of it correctly. Some items - like fluid in refrigerators - can cost more than $200 - to be rid of.

Miller, of course, is a business and as such must be profitable. It invites anyone interested to call and arrange a plant tour to get an understanding of what they do.

That concludes our tour of Miller and the MEC. We hope you have learned a little more about the company and its role in protecting the environment.

## A Scientific Explanation of Lindane Treatment Project

By Dr. Bill Paton
(Professor of Botany-Biology at the University of Brandon and board member of the Manitoba Hazardous Waste Management Corporation)

Concerns were expressed earlier this year about composted lindane-treated canola seed being applied to farm land in the St. Jean Baptiste area.

It is important for the public - and particularly people in the immediate region - to be fully aware of the background and real facts in this story.

First, a bit of history. In 1998, Canadian canola growers using lindane-treated seed to counteract flea beetles found it increasingly difficult to to sell their seed in the United States. The U.S. Environmental Protection Agency (EPA) had phased out lindane for use in canola seed, after this chemical had been possibly linked to cancer in laboratory tests on mice.

The ban was not complete. Lindane is still registered by the EPA for insect control seed treatments in wheat, corn, rye, sorghum, oats and barley. As well, American crushers can import canola grown from lindane-treated seeds in Canada.

Canada's voluntary withdrawl of lindane-treated canola seeds took place in July, 2001. Voluntary withdrawl had been discussed since 1999 when U.S. canola growers lobbied their view that cheap lindane-based flea beetle treatments gave Canadian growers an unfair advantage.

This had an impact on the Canola Council of Canada and the Canadian Pest Management Regulatory Agency who wanted to keep unrestricted access to the valuable U.S. market. At their urging, the Canadian Minister of Health finally made the decision in 2001 to suspend or refuse to register pest control products containing lindane.

As a consequence of this action, the Canadian Government is currently fending off a $100 million suit from U.S. chemical giant Crompton, the largest manufacturer in Canada of the insecticide lindane. Crompton's basis of claim is the NAFTA Chapter 11 clause, allowing companies to sue governments for lost profits.

Crompton alleges the Canadian Government buckled to U.S. political pressure when it phased out lindane. The chemical company has also filed a separate civil suit, asking our federal court to re-register this insecticide-treated seed for use in Canada.

Because of government action, more than two million acres worth of lindane-treated canola seed sat in Canadian warehouses in 2002. Another three million acres of the treated seed was in barrels and jugs, all of it off limits and unable to be sold.

This posed a threat to the environment. The longer these seeds remained in storage, the greater the chance that more and more of the lindane would evaporate into the air, with the potential to move long distances and accumulate in the biota.

Seed disposal became the responsibility of the environmental section of Mid-Canada Waste

Management. This company initially attempted to wash the seeds at the Manitoba Environmental Centre (MEC) near Letellier and land spread the cleaned seed in the East St. Paul region of Winnipeg.

This treatment process was not completely successful, with the result that Mid-Canada arranged with Miller Environmental Corp., the MEC operator, to re-locate the seed for further treatment at the Letellier plant.

Manitoba Conservation subsequently agreed to a pilot project where the lindane seed would be washed and spread on rented land under the Miller environmental licence. Again, it became clear that the washing process was not fully working. This led to the adoption of a composting process that was agreed upon in 2001.

It stemmed from a considerable body of science demonstrating that a variety of bacteria, fungi and algae could degrade lindane to non-toxic end products. AXYS Agronomics acted as consultant to Mid-Canada and windrow composting of the old seed began in the spring of 2002.

The results were good. After 30 days of composting, lindane levels in the seeds had been reduced by 50 per cent. By 120 days, the levels had been reduced by 90 per cent and this material was further composted over the winter into 2003.

Prior to spreading, the lindane content of the composted seeds had been diminished to 123 milligrams per kilogram of seed, well within Canadian regulations that had allowed a lindane content as high as 16,000 milligrams per kilogram of seed.

If the standard ratio of six kilograms per hectare is applied, this means that 96,000 milligrams of lindane could be considered safe on a hectare. The composting project produced an approximately 1,000-fold reduction in the lindane content of the seed and therefore has to be considered extremely safe.

It should also be noted that the federal Minister of Health suspended the registration of lindane-treated seed after an Oct. 26, 2001, occupational health risk assessment. The concern was for workers and farmers carrying out the treatment process - not the environmental consequences of using lindane-treated seed in agriculture.

A review of scientific literature clearly indicates there is no harm to the environment from the lindane in the soil and its interaction with plant roots. The biological-photolytic treatment of these contaminated seeds poses no threat to the health of the land, food grown on this land, ground or surface water.

Rather, this approach illustrates the value of biological mechanisms in dealing with our pesticide wastes, a concept accepted in wastewater treatment for many years.

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# Auditors' Report

**To the Members of**
**MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION**

We have audited the balance sheet of **MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION** as at March 31, 2005 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
July 14, 2005

# MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
## Balance Sheet

| March 31 | 2005 | 2004 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and bank | $ 130,646 | $ 161,693 |
| Rent receivable (Note 2) | 205,547 | 110,730 |
| | 336,193 | 272,423 |
| **Long-term investment - Miller Environmental Corporation** | 1,000,000 | 1,000,000 |
| **Capital assets - land, at cost** | 170,305 | 170,305 |
| | $ 1,506,498 | $ 1,442,728 |
| **Liabilities and Equity** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | $ 10,999 | $ 10,999 |
| **Equity** | | |
| Share capital (Note 1) | 7,500,000 | 7,500,000 |
| Members' equity (deficiency) | (6,004,501) | (6,068,271) |
| | 1,495,499 | 1,431,729 |
| | $ 1,506,498 | $ 1,442,728 |

On behalf of the Board:

_____ Director

_____ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

# MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

## Statement of Operations and Deficit

| For the year ended March 31 | 2005 | 2004 |
|---|---|---|
| **Revenue** | | |
| Gross profit rent (Note 2) | **$ 94,817** | $ 21,115 |
| **Expenses** | | |
| General and administrative expenses | **31,047** | 34,163 |
| **Net income (loss) for the year** | **63,770** | (13,048) |
| **Deficit**, beginning of year | **(6,068,271)** | (6,055,223) |
| **Deficit**, end of year | **$ (6,004,501)** | $ (6,068,271) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

# MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
## Statement of Cash Flows

| For the year ended March 31 | 2005 | 2004 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Net income (loss) for the year | **$ 63,770** | $ (13,048) |
| Changes in non-cash working capital balances | | |
| Rent receivable | **(94,817)** | (21,115) |
| Accounts payable and accrued liabilities | **-** | 496 |
| **Decrease in cash and cash equivalents for the year** | **(31,047)** | (33,667) |
| **Cash and cash equivalents**, beginning of year | **161,693** | 195,360 |
| **Cash and cash equivalents**, end of year | **$ 130,646** | $ 161,693 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

# MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
## Summary of Significant Accounting Policies

**March 31, 2005**

**Nature of Business**

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The organization, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the organization entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the organization retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

**Financial Instruments**

The organization's financial instruments consist of cash, rent receivable, long-term investments and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

**Basis of Accounting**

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

**Long-term Investments**

The investment in Miller Environmental Corporation is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value.

**Rental Income**

According to the terms of the site lease with Miller, rental income is based on a percentage of Miller's gross profits.

**Revenue Recognition**

Gross profit rent revenue is recognized over the term for which it applies.

**March 31, 2005**

## 1. Share Capital

The authorized capital of the organization is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

| | 2005 | 2004 |
|---|---|---|
| 75,000 common shares | $ 7,500,000 | $ 7,500,000 |

## 2. Gross Profit Rent

On January 1, 1996, Miller Environmental Corporation (MEC) entered into a site lease agreement with the Manitoba Hazardous Waste Management Corporation (MHWMC). Under the terms of the agreement, MEC is committed to annual rent payments of 20% of gross profit to a maximum of $500,000 for each calendar year.

The estimated rental profit receivable based on the audited financial statements of MEC for the fiscal years ending February 28, 2005, 2004, 2003, 2002 and 2001 is as follows:

| | |
|---|---|
| February 28, 2005 | **$ 94,817** |
| February 28, 2004 | **21,115** |
| February 28, 2003 | **16,998** |
| February 28, 2002 | **57,323** |
| February 28, 2001 | **15,294** |
| | **$ 205,547** |

## 3. Contingencies

Under the terms of the agreements with Miller Environmental Corporation, MHWMC would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

## 4. Economic Dependence

The organization is economically dependent on Miller Environmental Corporation. The organization's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

## 5. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $9,583. No employee's compensation exceeded $50,000 per year.

## 6. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

## BOARD OF DIRECTORS

Mr. Richard Gallant, Chairmain and CEO
Dr. Art Chow
Ms. Nancy Bettcher
Mr. Murray Craddock
Mr. Alex Forrest
Dr. Bill Paton
Mr. Gilles Sabourin
Mr. Arnold Grambo

Richard Gallant and Gilles Sabourin are representatives of the Rurql Municipality of Montcalm under the Manitoba - Montcalm Co-Management Agreement.

## MHWMC MANAGEMENT

Mr. Richard Gallant, Chairman and CEO
Mr. Roger Barnabé, Manager, Finance and Administration

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## MILLER ENVIRONMENTAL CORPORATION

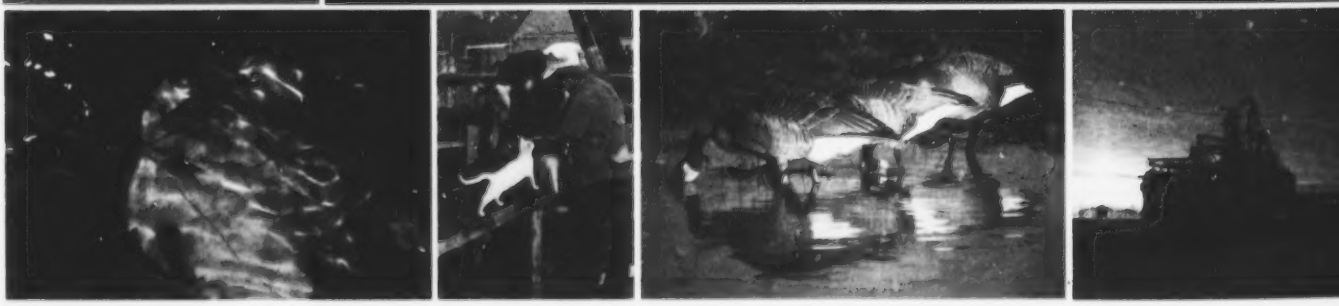
Provincial appointees to the Miller Environments Corporation board of directors

Mr. Florent Beaudette, St. Jean Baptiste *
Mr. Richard Gallant, Letellier *
Mr. Chris O' Grady, Winnipeg
Ms. Nancy Bettcher, Winnipeg

* Representatives of the Rural Municipality of Montcalm
Note: The other five members of this nine-member board are chosen by Miller Waste Systems, the joint venture partner with the MHWMC.

## MEC MANAGEMENT

Mr. Ross Edmunds, General Manager
Ms. Judy Barnabé, Administration and Accounting Manager
Mr. Marcel Bissonnette, Plant Operations Manager
Ms. Tammy Shimoji, Customer Service Manager



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